

# Construction Guide.



*The Mortgage Experts*



**loanseeker**  
Homeloans





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# Building Your New Home

Building a home of your own is one of the most exciting opportunities life can bring. It's the chance to create a home for your family that has all the latest design features, appliances and fixtures. And you'll be the first to enjoy it

Building your new home is also one of the biggest investments you're ever likely to make. So you want to be sure that every decision you make is the right one. From deciding where you want to live to what type of house you want to build, there are many decisions you need to make in the time ahead. Architect or project home? One storey or two? Room to grow in the future or room that's just right for you now?

So many decisions ahead and one of the most important is how you'll finance your new home. It might not be as exciting as designing your bathroom, but like a well designed and built home, the home loan that's just right for you will serve you well for many years to come.

At Loanseeker, we've helped thousands of Australians turn their dreams into reality. Over the years, we've learnt plenty along the way and this guide shares the knowledge and insight that can only come from experience.

We'll step you through the journey of building a new home and help prepare you for what can sometimes seem a long and winding road.

Armed with the knowledge to help you make informed decisions and an experienced Loanseeker Broker by your side, you'll be opening the door to your new home in no time at all. Let's get building.



# BUILD OR BUY?



## A Few Things to Consider

Before you start planning your Buckingham Palace, you need to get a clear picture of just how far your budget will actually go. There's no guarantee that building from scratch will necessarily be your most affordable option.

And you want to be confident that your budget will give you the home with all the features and finishes that you want.

Buying off the plan might also be an option for you. The special considerations of buying an apartment or townhouse before it's constructed are covered in our Buying and Selling Guide. Ask your Loanseeker broker for a copy or download at [Loanseeker.com.au](http://Loanseeker.com.au)

The best way to know what you need to budget for is seeing what's out there. If there are already established homes in the area, what do they look like and how are they valued?

Visit home display centres to see what value building a project home can deliver. Consider home and land packages that could offer even better value than buying vacant land and then deciding what you're going to build..

# Buying V Building

## Consider This

## Building

## Buying

### Location, location, location

Land can be hard to find. The most affordable options tend to be in new releases in outer suburbs or in regional centres. Consider local amenities such as schools, shops and transport links. Is it somewhere you actually could live comfortably

Vacant land tends to be considerably more expensive (and harder to find) closer to city centres. If that's where you want to be, buying an established home could be a more viable option... unless your budget extends to a knock down and rebuild

### Capital growth

Scarcity and location can be key drivers of capital growth. In new estates and outer suburbs, capital growth may be slower in the short to medium term.

Homes in good locations with established infrastructure and amenities tend to enjoy greater long term gain than outer areas.

### Making your house your home

Whether you're using an architect or building a project home, you have more scope to get the layout, features and finishes that you want. You can tap into the latest design and construction trends – including 'green' environmental features – that could help add long-term value to your home.

An established home may need minor or major renovations to suit your needs and tastes. Perhaps you need more room and storage for a growing family. Or you want to add eco-friendly technology. These could all add additional expense and inconvenience

### Have you got the time

Any new build takes time and a range of factors need to be taken into account: design process, council approvals, availability of builders, tradespeople and materials, and unexpected delays such as wet weather.

Buy an established home and you can usually move straight in after settlement

### Stamp duty

With vacant land, stamp duty is only levied on the land value – usually considerably less than if it was an established property.

Stamp duty will be payable on the value of the land and the building on it

### Government support

You may be eligible for stamp duty concessions or other government incentives for building new homes. Check in your state or territory.

First Home Buyers may be eligible for financial support in buying existing dwellings but some states are phasing this out in favour of schemes supporting new home construction.

# Choosing Land Checklist



## Ease of construction

A level block with easy access to the road and services is usually what quoted 'base' prices of project homes are based on. More challenging sites – such as sloped blocks – will mean higher costs for design (possibly needing an architect), engineering and construction



## Slope and Orientation

How will your home sit on the block? Can you optimise natural light, potential views and privacy from neighbours or roads?



## Flood and Bushfire

It's always a good idea to check if the location is flood prone. Additional requirements may also apply if your land is in or near bushland



## Community Infrastructure

Are schools, shopping centres and transport links in place? They may be planned for new estates or suburbs, but you could face long delays before they are actually built.



## Soil Test

Ask the agent or developer if soil testing has been completed or arrange your own. You want to avoid potential surprises such as rock below the surface, or unstable soil that may require more expensive excavation or foundations



## Know the Local Rules

Building covenants could restrict what you can build. Check for any council regulations that may apply regarding easements



## Access to services

Check that power, water and sewerage connections are readily available. They are often included in new subdivisions or house and land packages. If not, getting connected can add significantly to your building costs.

# FINANCING YOUR NEW BUILD?



## Get Expert Advice Early

**You want everything to be just right in your new home. And the same goes for your finance.**

**Talk to your local Loanseeker Broker sooner rather than later. Then your broker will be able to provide valuable advice and guidance along the way and help you find the loan that will work hardest for you as you start looking for land and planning your new home.**

**Check them out at [Loanseeker.com.au](https://www.loanseeker.com.au)**

## Small Amounts Can Lead to Big Savings

Construction loans are designed to provide a series of payments at specific stages of construction. There are typically five key stages that start with laying the foundations and end with the final inspection. These are detailed in the following section.

Drip-feeding your payment ensures that your builder is only paid for work that's been completed, so it helps protect you from any financial loss if something goes wrong. Your lender will also arrange a valuer to make inspections before funds are made available at each stage.

Their expert eye and knowledge gives you the reassurance that work is being completed to the high standards and quality you're paying for

With a traditional home loan, you usually receive the full loan amount in one lump sum and start paying interest on the full balance from day one.

But when you're building from scratch, the finance works quite differently and delivers a range of benefits along the way.



## BUDGET BENEFITS OF BUILDING

Drawing on the loan progressively is easier on your budget. You only pay interest on the funds already used, and repayments are typically interest-only until your home is complete.

When you're ready to move in, the loan normally reverts to a traditional variable or fixed rate mortgage

## Be Prepared for the Paperwork

Construction loans can seem complex and they may involve a little more paperwork than a regular home loan as lenders normally want to see a formal contract from a licensed builder, council approved plans and evidence of builder's insurance. As this is one of the biggest investments you're likely to make, it's worth getting it right.

Your lender effectively acts as your partner on the building project, so your local Loanseeker Broker will take the time to guide you through every stage of the process and give you the confidence you're choosing the lender and the loan that will be right for you

## Stamp Duty

Keep in mind that you may need to budget for stamp duty. With vacant land, stamp duty is only levied on the land value, but if you're looking at a house and land package, higher stamp duty may be payable. Some concessions may apply to new developments, depending on where you live.

Take a look at the website of the revenue office in your state or territory and work out what you could be up for with our online Stamp Duty Calculator at [Loanseeker.com.au](https://Loanseeker.com.au)

NEED HELP?  
CALL LAONSEEKER  
TODAY





# PLANNING THE BUILD

## Tradie Checklist.

If you're 'going it alone' in preference to buying a home and land package, choosing the right builder is one of the most important decisions you will make.

We've all heard the stories of people who've been left with unfinished homes or less than acceptable workmanship from dodgy builders. You don't want to be one of them. Good builders are usually in high demand so you may need to plan ahead or be prepared to wait a little longer so you're not settling for second best. A great place to start is making a shortlist of builders to talk to. Use our checklist to help ensure you're asking the right questions and, more importantly, getting all the right answers

Do your research online and ask friends, neighbours and colleagues for recommendation

Check records and any outstanding claims through your relevant Department of Fair Trading or Consumer Affairs

Get several written quotes

Compare quotes and negotiate

Be clear on what each quote includes and exclude

Confirm current appropriate licence (each state and territory has its own requirements)

Ensure the contract contains provisions for any unexpected costs

Ask for references

Always ask for a proper contract

Ensure formal building contract is signed

# Getting Approvals

## Council Approvals

Before you sign your contract or start any work on your site, you need to have the appropriate approvals in place. Check with your local council about the requirements and planning controls that apply in your area.

## Development Application

The usual process of seeking approval to build your home is submitting a 'Development Application' (DA). Your council will let you know about the detailed plans, reports and specifications you need to include in your DA. A fee will be payable when you submit your documents.

The approval process usually takes around six weeks, but depends on a range of factors — including the workload at your local council! Before your DA is approved, the council will usually advise your neighbours of the proposed work and advertise your application in a local paper. It could be good politics to let neighbours know of your plans beforehand.

## Construction Certificate

While the exact process will vary between states and regions, once your DA is approved, and you've paid any fees owing, the council will usually issue 'Development Consent'. The council will inspect the site before they issue a Construction Certificate. With that in your hand, you're good to go.

# FIVE STAGES OF CONSTRUCTION

## Time to Build

After all your planning, the day will (finally!) arrive when you're ready to start the build on your new home.

Most building contracts will usually specify five distinct stages of construction.

Your building contract should specify these stages and what your builder expects to be paid on completion of each. If you are using a construction loan, completion of each stage will correspond with the progressive draw down of your loan.

The percentage that you pay at each stage is set out by the consumer affairs department in your state or territory. You should never pay for work that isn't completed or pay more than the amounts agreed with your lender.

Every building contract and construction loan is likely to be different, but let's assume that you've paid your builder a 5% deposit. Here's how the rest of your contract (and your loan) may be spent

### Stage 1

#### **Base or Slab 10% of total contract.**

This is the laying of the concrete slab and foundations on which your home will be built.

#### **Work will usually include:**

- installing protective fencing, clearing vegetation, excavation or levelling, pegging out foundations
- slab piling and form work, including waterproofing and any insulation specified
- installing any plumbing or electrical pipes and outlets that will run through the slab
- building retaining walls if required

### Stage 2

#### **Frame and Brickwork 15% of total contract**

Once the slab has cured, framework can begin. Think of it as the skeleton that provides structural strength for your home. Generally, lightweight, pre-fabricated timber or steel frames are used

#### **Once the basic frame is in place, work will usually include:**

- roof trusses
- fitting of electrical cables and pipes that will sit behind walls
- plumbing connections from hot water system to taps
- gas lines installation.



# More Stages

## Stage 3

### Lock up 35% of total contract.

By now your home will be starting to take shape, but there's still plenty to be done. Don't get too excited just yet.

#### Work will usually include:

- window installation
- roof insulation and cladding
- completion of brickwork
- external walls and fascia boards
- eaves and gutters
- external doors fitted (may be temporary) to ensure site can be secured.

## Stage 4

### Fixings 20% of the Contract

This is when your builder focuses on the interior, taking it from a rough shell towards the home you're eagerly awaiting.

#### Work will usually include:

- insulation
- plasterboard (or other finish) for walls and ceilings
- cornices, skirting boards and architraves
- internal doors and window sills
- waterproofing bathroom, kitchen and laundry wet areas
- framework for kitchen, bathroom and laundry cupboards
- baths, bathroom vanities, basins, sinks and showers
- floor and wall tiling where specified, followed by taps
- kitchen appliances installed and connected.

## Stage 5

### Completion 15% of the Contract.

You're almost there. This last push adds the finishing touches that will make your house your home

#### Work will usually include:

- interior and exterior paintwork completed
- kitchen completed
- shower screen installation
- all doors fitted.

**Congratulations  
You've Built a  
House.**



## SIGN OFF ON THE BUILD

With approvals in place, next step is signing the formal contract. As they are legally binding, it's essential to understand what you're signing and to seek legal advice about anything you're not sure of.

### There are two main types of contract used in residential construction

#### Fixed Price Contract

This contract aims to quote a set price for the complete project. It also allows for the builder to request variations if unforeseen events arise — such as hitting rock during the excavation. The end price may vary.

#### Cost Plus Contract

Under this contract, your builder charges for the cost of labour plus the building materials. Ask to see projected budgets as costs could blow out. You can also request receipts for all materials purchased.

### 'Rise and fall' cost adjustments

Under a fixed price contract, a builder bears the risk of paying more for building materials without the ability to pass extra costs on. As prices can be affected by market or seasonal demand, this clause allows the builder to make upward revisions and pass the costs to you. If prices fall, you should also benefit from any cost savings.



# Buying off The Plan

## Why buy off the plan?

Buying a house and land package is also known as buying off the plan. You select a block of land in a new development and choose a standard home design and a builder to construct your new home. As well as giving you more freedom to choose where and how you want your home to be built, this approach can offer better value too. With vacant land, stamp duty is only levied on the land value, but if you're looking at a house and land package, higher stamp duty will be payable. However, some concessions may apply to new developments, depending on where you live.

## You can get some great deals?

Developers want to sell before they build to meet their own finance requirements and will sometimes offer discounts to reach their targets for properties sold pre-construction.

## What to Expect

Shopping for a house and land package starts with choosing the neighbourhood where you want to live. Important issues to consider include access to transport links, particularly if you need to travel to work, and local facilities – parks, retail precincts, schools and medical services.

And when you've picked your development, start to narrow down your choice of lot according to the size and shape and how close you want to be to the hub of your new community. You'll also need to bear in mind how your block could affect the type of house you'll build and how much it costs. For a sloping block, for example, you may need to allow extra budget for a custom-designed home that works with the gradient of the site.

Finally, you'll need to choose a home design, and a builder to work on putting it all together. Taking a good look at designs available in your price range and what's included in the build and the contract is absolutely essential.

## Arranging finance

For buying a home and land package, you'll need two loans – one for buying the block and one for construction. Most lenders can bundle these loans to keep things simple. With the construction loan, you'll draw down funds in stages as the build progresses and you'll only pay interest on the money as you use it.

Our handy Construction Guide can really help you weigh up your options for buying a house and land package and find out more about what's involved. Speaking to an Loanseeker broker can help you understand what you can afford and how to go about arranging finance and applying for government incentives.



# A bit on Construction Loans

## Construction Loan?

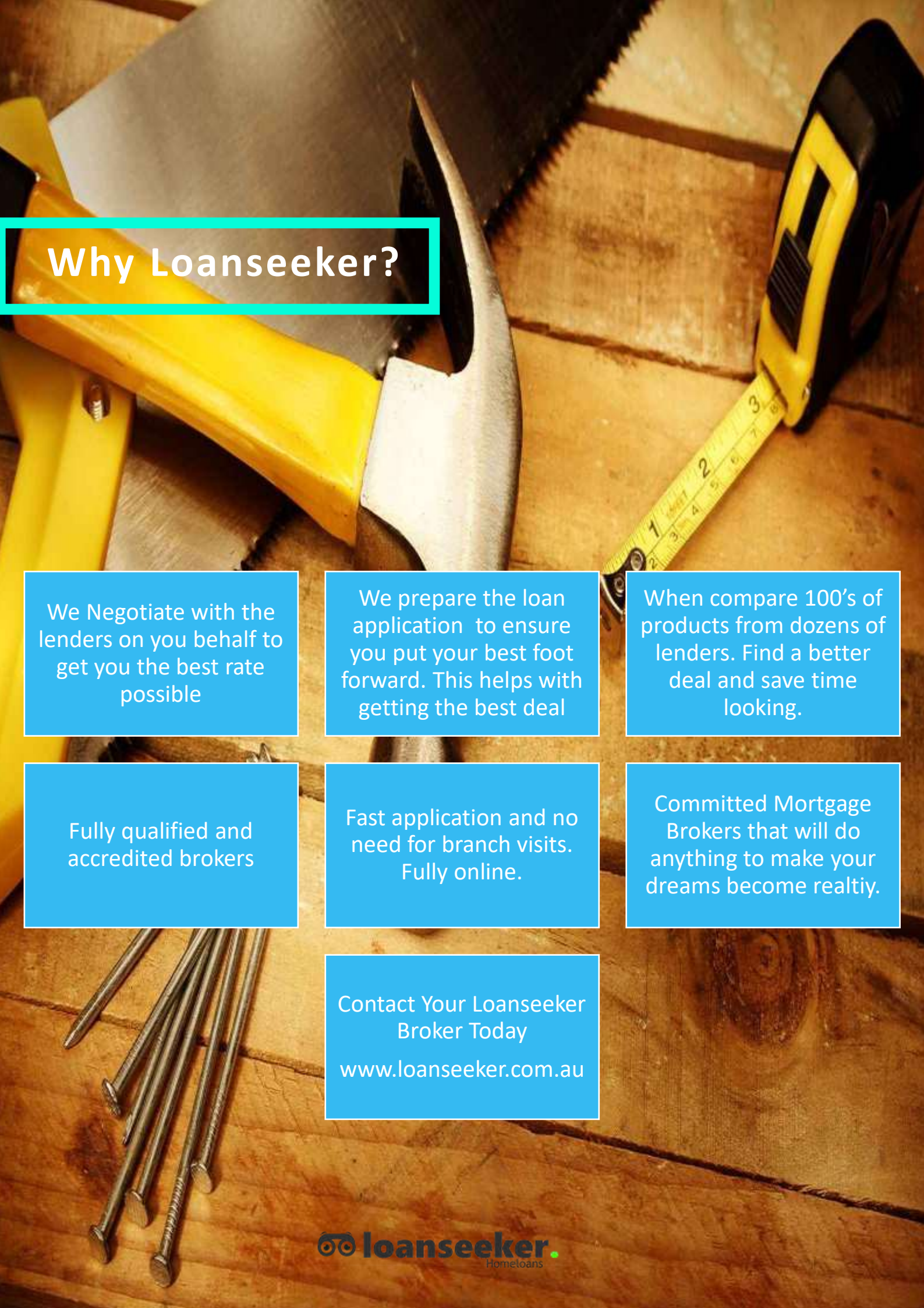
Banks and mortgage lenders are often leery of construction loans for many reasons. One major issue is that you need to place a lot of trust in the builder. The bank or lender is lending money for something that is to be constructed, with the assumption that it will have a certain value when it is finished.

If things go wrong – for instance, if the builder does a poor job or if property values fall – then it could turn out that the bank has made a bad investment and that the property isn't worth as much as the loan.

To try to protect themselves from this problematic outcome, banks often impose strict qualifying requirements for a construction loan. These usually include the following provisions:

1. **A Qualified Builder Must Be Involved.** A qualified builder is a licensed general contractor with an established reputation for building quality homes. This means that you may have an especially hard time finding an institution to finance your project if you are intending to act as your own general contractor, or if you are involved in an owner/builder situation.
2. **The Lender Needs Detailed Specifications.** This includes floor plans, as well as details about the materials that are going to be used in the home. Builders often put together a comprehensive list of all details (sometimes called the “blue book”); details generally include everything from ceiling heights to the type of home insulation to be used.
3. **The Home Value Must Be Estimated by an Appraiser.** Although it can seem difficult to appraise something that doesn't exist, the lender must have an appraiser consider the blue book and specs of the house, as well as the value of the land that the home is being built on. These calculations are then compared to other similar houses with similar locations, similar features, and similar size. These other houses are called “comps,” and an appraised value is determined based on the comps.
4. **You Will Need to Put Down a Large Down Payment.** Typically, 20% is the minimum you need to put down for a construction loan – some lenders require as much as 25% down. This ensures that you are invested in the project and won't just walk away if things go wrong. This also protects the bank or lender in case the house doesn't turn out to be worth as much as they expected.

Providing that you meet all these criteria and have good credit, you should be able to qualify for a construction loan. Generally, lenders also require information regarding your income (to be sure you can afford the mortgage payments) and your current home, just as they would with any type of standard mortgage loan.



## Why Loanseeker?

We Negotiate with the lenders on your behalf to get you the best rate possible

We prepare the loan application to ensure you put your best foot forward. This helps with getting the best deal

When compare 100's of products from dozens of lenders. Find a better deal and save time looking.

Fully qualified and accredited brokers

Fast application and no need for branch visits. Fully online.

Committed Mortgage Brokers that will do anything to make your dreams become reality.

Contact Your Loanseeker Broker Today  
[www.loanseeker.com.au](http://www.loanseeker.com.au)



The background of the advertisement is a photograph of a street scene. On the right, a wall is covered in colorful graffiti, including a large blue and white abstract design and a yellow face. A white scooter is parked in the foreground on the left. The overall atmosphere is urban and artistic.

# Feel Ready?

**Get In Touch  
With Your Personal  
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